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UNITED STATES DEPARTMENT OF AGRICULTURE
Commodity Stabilization Service

March 23, 1961

FACT SHEET

1961 FEED GRAIN PROGRAM

"I am sure that farmers appreciate the action by Congress to stop the drift toward chaos in the feed grain and livestock sectors of the economy, and that they will cooperate to make the program effective. With about three billion bushels of feed grains in government loan and inventory stocks, representing an investment of more than \$4 billion, it is time for action in the interest of the farmer and the other taxpayers.

"Unless the present drift is stopped, it promises to become only worse and threatens the entire feed grain and livestock industry. It ultimately threatens the consumer as well.

"These stocks will be reduced by the new program, but they will still be large. Consumers can rest assured that their interest will be protected through continuing abundant production of meat, poultry, eggs and dairy products." -- Secretary of Agriculture Orville L. Freeman.

Objectives

The purposes of the program are as follows:

1. To increase farm income.
2. To prevent further buildup of the feed grain surplus and reduce it if possible.
3. To help assure the consumer of fair and stable prices for meat, poultry and dairy products.
4. To reduce ultimate feed grain program costs to taxpayers by about \$500 million.

Program in General

Voluntary. Each producer decides whether to cooperate.

1961 only. This program applies only to 1961 crops.

Corn and grain sorghums. The program applies to all field corn and grain sorghum whether for grain, fodder or silage.

Divert at least 20 percent of acreage. Cooperators will divert at least 20 percent of their 1959-60 average acreage of corn and grain sorghums to soil-conserving uses, and they may divert additional acreages.

Price supports and payments. In return, cooperators are eligible for price supports on corn and grain sorghums and for an attractive payment on each acre diverted. The payments will be in the form of negotiable certificates for which producers may receive grain or a cash equivalent of grain. The national average support prices for feed grains are as follows: Corn, \$1.20 per bushel; grain sorghum, \$1.93 per cwt.; barley, 92¢ per bushel; oats, 62¢ per bushel; rye, \$1.02 per bushel. Support prices will be established for each county.

Advance payments. Half of the estimated total payment for a farm will be offered to the producer as soon as he signifies that he will cooperate in the program.

* No price support for non-cooperators. The non-cooperator will not be eligible for price support on corn, grain sorghum, oats, barley, or rye of the 1961 crop.

The non-cooperator cannot depend on the government price support and his neighbor's production adjustment to hold up the market price for his corn or grain sorghum production. [On the contrary, as cooperators receive payments in the form of negotiable certificates which represent grain from Commodity Credit Corporation stocks, this grain becomes available for market and farm use in

competition with grain from 1961 production. It works like this: Cooperators who wish to receive the cash equivalent of grain at the support price may ask the Commodity Credit Corporation to act as their agent in marketing their grain. As agent for the producer, Commodity Credit Corporation will advance the payment to the producer in cash through the county ASC office and subsequently market the grain.]

The non-cooperator will get nothing but the market price, whatever it may be. The non-cooperator is not only ineligible for feed grain price support and payments but foregoes the usual price benefits of a production adjustment program as Government stocks of grain are marketed.

Use of Surplus. Through the payment-in-kind feature of this program, reduction in the acreage and production of corn and grain sorghums will be accompanied by a reduction of Government stocks. These stocks are so large that, at the current rate of disposition, it would take CCC nine years to move them into use. Thus, on a first-in first-out basis, grain acquired by the CCC from 1961 crops would be stored nine years before CCC could begin to dispose of it. Under the old program, with corn price support at a national average of \$1.05, estimated costs to the taxpayers would have been approximately \$600 million for acquisition of 1961 and prior crop resealed grain in the calendar year 1962 and \$959 million for storage, handling, transportation and interest costs during the 9 to 11 years prior to disposition, a total outlay of \$1-1/2 billion. The Commodity Stabilization Service estimates that between \$400 and \$600 million of the carrying charges that would be paid on acquisitions under the old program before ultimate disposition will be saved under the new program through reduction of net acquisitions by the CCC from 1961 crops.

Related statistics: Government loan and inventory stocks of feed grains total approximately 3 billion bushels and represent an all-time record high investment of over \$4 billion. The total supply of feed grains this marketing year is at a record high of 244 million tons. The heavy stocks, plus the prospect of further excess production under the previous legislation, threatened to cut net farm income, which has already fallen from \$16 billion in 1951 to \$12 billion in 1960, and to bring about a chaotic expansion in hog, poultry and other livestock production. Wide swings in grain prices and livestock production have in the past proved costly to both producers and consumers.

What the Cooperator Does

To be a cooperator, the producer does the following:

1. Reduces his acreage of corn and grain sorghum below his 1959-60 base by a minimum of 20 percent, and he may elect to divert additional acreage within certain limits. Where the minimum amounts to less than 20 acres, the producer may elect to divert for payment either the actual computed minimum or up to 20 acres. If the farmer has a 1959-60 base of 20 to 100 acres he can divert as much as 20 acres plus 20 percent of his base. The producer who has 1959-60 average acreage of 100 acres or more may divert for payment as much as 20 percent more than the minimum 20 percent, making a total of 40 percent.
2. Devotes the diverted acreage to a conservation use and certifies that this is in addition to the 1959-60 average acreage devoted to a conservation use on the farm. Approved conservation uses of the diverted acres will vary by areas. In general, such uses include approved cover crops, trees, water storage, and wildlife practices. The diverted acreage may not be harvested or pastured.
3. Controls weeds, insects, and rodents.

What the Cooperator Receives

The cooperator receives the following benefits:

1. Price support on the normal production of his 1961 corn or grain sorghum acreage. The national average corn support price will be \$1.20. In most counties the support price for corn will be about 14 cents a bushel more than in 1960. The national average support price for grain sorghum is \$1.93 per cwt. -- 41 cents a cwt. higher than in 1960.

2. Payment for each acre diverted to a conservation use. The payment rate per acre for the first 20 percent diverted will be established on this basis:

50% of the normal production of the
acreage diverted X the county support price.

(For farms on which the base is less than 100 acres there may be additional diverted acres to which this rate applies.)

As an additional incentive, for an additional 20-percent of acreage diverted, the rate will be established on this basis:

60% of the normal production X the
county support price.

Normal production for the purpose of making the payment will be calculated by adjusting the county average yield according to the productivity of the farm.

Example: Where the county support price for corn is \$1.20 and a farm's normal production is 70 bushels per acre, the payment rate per acre for the first 20 percent diversion would be:

50% of 70 or 35 X \$1.20 or \$42.00.

County ASC offices will notify farmers of the rates to be used in making payments.

3. Advance of partial payment. The producer may be paid prior to "determination of performance" 50 percent of the total payment for which he will become eligible by carrying out the program. Wherever possible, these advance

payments will be made at the time the producer signifies his intention of cooperating. This advance payment will help the producer meet his production expenses and is expected to be an important incentive for cooperation.

4. Effective protection in case of crop failure. The payment on the diverted acres is income regardless of what the weather does to crops, and this is a measure of income insurance. Price support for corn and grain sorghums at rates considerably above current market prices also has an income insurance effect.

What the Non-Cooperator Misses

The non-cooperator will forego the benefits received by cooperators as follows:

1. He will not be eligible for price support on any feed grain (corn, grain sorghum, oats, barley, rye) of the 1961 crop. He will get only the market price, whatever it may be.

2. He will receive no payment under this special program.

With payments-in-kind adding to marketable supplies of feed grains, the non-cooperator should not count on the advantage he might otherwise derive from staying out while others participate in a production adjustment program.

NOTE: The non-cooperator should not expect to build up his acreage base for future programs either. The Department of Agriculture will strongly recommend to the Congress that any legislation involving establishment of base acreages for production adjustment should give no advantage to producers who fail to cooperate in the 1961 feed grain program.

Problem or Solution?

The feed grain problem is serious.

Recognizing this, the producer may ask:

"Am I part of the problem? Or am I part of the solution?"

By cooperating, the individual producer can:

1. Help raise farm income for himself and other
cooperators.
2. Reduce government costs.
3. Start working off the CCC's excessive inventories
of feed grains.

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